

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201444042**
Release Date: 10/31/2014

Employer Identification Number:

Person to Contact - ID#:

Date: August 6, 2014

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Country Name
C= Country Name

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g)(1) and for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This is required because you are a private foundation that is exempt from federal income tax.

Our determination

We have determined your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). We also determined your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, awards meeting the requirements of Code Section 4945(g)(1) which are made under these procedures are scholarships or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a grant program to help accomplish your charitable and educational purposes by furthering your program areas of medical research and health care, education, conservation, and the security development of B. Under your grant program, you are making distributions under both sections 4945(g)(1) and 4945(g)(3) of the Internal Revenue Code. Your scholarships and fellowships will be awarded to individuals to obtain an advanced degree in an underserved area and specialty or allow individuals to participate in rural residency training for Primary Care and Physician Extenders. This also includes the development of programs to focus on career advancement and the enrichment of younger professionals who will be the future leaders driving medical research and clinical care around the world. You will award grants to medical students in order to expose them to Type I Diabetes clinical care and research through participation in scientific conferences, internships in diabetes centers, visits to

Type I Diabetes camps, and fellowships in adult and pediatric endocrinology. You will also provide grants to young investigators (early-career scientists) to conduct research on Type I Diabetes, attend courses for clinical trials, study translational medicine, identify novel techniques, and pursue other opportunities. You determined that mentorship by senior scientists was a key factor in the future research accomplishments of these investigators.

Accordingly, your grant program was designed to identify and select early-career scientists working at diabetes research centers in C that have the most efficient mentoring environment for fostering early career investigators, and then to award grants to investigators who are paired with a senior scientist in the diabetes field who will act as a mentor. The first step involves identifying the most promising diabetes research centers in the country with efficient mentoring environments. The second step involves soliciting nominations from those centers of early-stage investigators and the mentors with whom they will be paired. The rigorous selection process is intended to identify and support Type 1 diabetes research by extremely promising early-career investigators who will have an opportunity to be mentored by senior scientists in the field and be expected to make significant lasting contributions to the field of research in this area.

In the case of individual grants under Section 4945(g)(1), you will ensure that the class of potential recipients is large enough to constitute a charitable class. In the case of individual grants under Section 4945(g)(3), you will impose reasonable restrictions on the group of potential grantees to limit it to persons who have the specific requirements to enable them to carry out the purposes of the grant.

The number of grants you will award annually and the amount will vary from year to year based on your budget, other funding opportunities, and the needs of the grant program for which funding is being provided.

Any grants under section 4945(g)(1) will be no more than the required amount to cover the costs of tuition and expenses at the educational institution; likely less depending on other sources of funding.

For all individual grants you will follow an objective and non-discriminatory selection process that is reasonably calculated to result in performance by the grantees of the activities that the grants are intended to finance. The eligibility criteria for individual grant programs will be reasonably related to the purposes of the grant program. The persons making the selection will not be in a position to derive any benefit if one grantee is selected over another, and relatives of disqualified persons will be ineligible for any grants.

To be eligible, candidates must submit an application. You will choose information from the following list to include in your application that is appropriate for the particular grant program in which the candidate is applying:

- Biographical summary;
- Detail statement of the activity for which the funding is requested;

- Letters of reference;
- Lists of publications;
- Academic records;
- Documentation of finances; and
- Results of performance on standardized tests.

You do not have any scholarships that would require a minimum grade point average (GPA). GPA will be an eligibility requirement only if it is related to the purposes of the scholarship. You do not award scholarships to high school graduates. You will require candidates to have educational attainment consistent with the purposes of the grant. For example, for grants in the medical research area, candidates will be required to have an MD or a PhD. You do not intend to fund undergraduate or graduate scholarships based on financial need. If so, you will take into account the financial resources of the candidate and provide no more funding than required to enable the recipient to achieve the purposes of the scholarship.

Currently, you do not have any grants being used outside of C. If you grant funds to persons or for the use outside of C, you will take steps to ensure that the grant funds are used for appropriate purposes and are not diverted to support terrorism as described below.

The renewal of a grant for any succeeding period will be contingent upon evidence of adequate performance at the time of review. You may also create some additional parameters for renewal of grants after you more fully develop programs for grants to individuals.

You will publicize each program broadly to solicit grant applications through a variety of means, including your website, word of mouth, and promotional materials that will be distributed at events, conferences, and meetings with the goal of developing a broad-based application pool for each type of grant program that allows you to identify effective projects that support your charitable and educational purposes.

Although you will establish a formal set of qualifications for candidates and broadly publicize the program for most grants to individuals, there may be times when you do not do so. This could arise if you become aware of a limited number of individuals who are exceptionally qualified to carry out the charitable or educational purposes of a grant program, or it is otherwise evident that a particular individual will be the best candidate to carry out the charitable purpose of the grant.

The selection criteria will be reasonably related to the charitable and educational purposes of the particular grant and will include the merits of the proposal, credentials of the potential grantee, positive letters of recommendation, the relationship of the proposal or the proposed course of study or fellowship to your charitable programs, projects or areas of concern, and priority in relation to other demands on your funds. For grants that are scholarships and fellowships, the selection criteria will also include an individual's prior academic performance and results on standardized tests.

Selections will be made by your program staff overseeing the applicable grants program. For certain grants, you will create an independent selection committee composed of outside individuals with substantial expertise in the relevant field to nominate or select recipients. Officers, trustees, selection committee members, substantial contributors, as well as their family members will not be eligible to receive grants.

The terms and conditions of each grant to an individual will be set forth in a written grant agreement with the recipient who will be required to sign and return the agreement to you. Terms and conditions will include the specific purpose of the grant, the duration of the grant, the total amount of the grant, and a requirement (including due dates) to furnish narrative reports at least annually, and a final report upon completion of the undertaking for which the grant was made, such as the completion of an individual's course of study or research.

The content required for narrative reports will vary based on the type of grant. Narrative reports for grants described under section 4945(g)(3) of the Code must include a description of the grantee's use of funds and the progress toward achieving the purposes of the grant. Narrative reports for scholarships and fellowships described under section 4945(g)(1) of the Code that involves coursework must include a description of the courses taken by the grantee and the grades received in each academic period that are verified by the grantee's educational institution. If the educational program does not involve formal coursework but instead involves only the preparation of research papers or projects, the report must describe the progress of the paper or project and be approved by a faculty supervisor or another appropriate university official. You will review these reports closely and will stay in regular contact with grantees to monitor their implementation of the activities supported by the grant.

You will pay an award either directly to an individual or to a section 501(c)(3) organization, such as a medical research institution or the recipient's educational institution (which will be an institution that normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where its educational activities are conducted). If you pay a scholarship or fellowship award directly to an educational institution, you will not require the grantee to furnish narrative reports if the institution agrees to use the funds to offset the grantee's expenses or pay the funds (or a portion thereof) to the grantee only if he or she is enrolled at the institution and his or her standing is consistent with the purposes and conditions of the grant. If you pay grants directly to individuals, you will require recipients to provide both narrative and financial reports and will retain the right to investigate in the event of any suspected diversion. In all cases, you will review each required narrative report and determine whether the purposes of the grant are being or have been fulfilled, and identify any issues requiring further scrutiny or investigation.

For your advancement program described above, you will obtain annual progress reports, including an assessment of the mentor-mentee relationship, an assessment of scientific progress, and an assessment of career development. You intend to track the grant recipients for a period of ten years following receipt of the grant funds to identify the

success of the program in identifying and supporting the next generation of Type 1 diabetes scientists.

You will initiate an investigation if a grantee fails to submit a report after a reasonable time has elapsed from the due date or if a report or other information indicates that all or any part of your funds are not being used for the purposes of the grant. While conducting the investigation, if you determine grant funds have been diverted you will take reasonable and appropriate steps to recover the diverted grant funds and/or to insure the restoration of diverted funds and the dedication of other grant funds held by the grantee to the purposes being financed by the grant. These steps will include legal action unless such action would not result in the satisfaction of execution on a judgment.

If the grantee has not previously diverted grant funds to any use not in furtherance of a purpose specified in the grant, you will withhold further payments until (1) you have received the grantee's assurances that future diversions will not occur, (2) any delinquent reports have been submitted, and (3) require the grantee to take extraordinary precautions to prevent future diversions from occurring. If the grantee has previously diverted funds, you will withhold further payment until the three conditions as stated above are met and the funds are restored.

You will retain records pertaining to all grant payments necessary to satisfy the requirements of Treasury Regulation Section 53.4945-4(c)(6), including:

- a) All information secured to evaluate the qualifications of applicants.
- b) The identification of all grant recipients (including any relationship of recipients to make a determination as to whether the recipient is a disqualified person within the meaning of section 4946(a)(1) of the Code.
- c) Specification of the amount and purpose of each payment; and
- d) The follow-up information obtained in administering the program.

If you conduct activities in foreign countries, will you check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. You will investigate potential grant recipients to ensure that they can be expected to use grant funds appropriately; will include prohibitions on the use of funds to support terrorism in the grant letters; and will require reports on the progress of the grant and the use of funds. In appropriate cases, you will make the payment to an intermediary organization in which you have confidence to help oversee the use of grant funds. You do not anticipate making payments in cash. You will comply with all C statutes, executive orders, and regulations that restrict or prohibit persons from C from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC. You will acquire from OFAC the appropriate license and registration where necessary.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
 - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c) (1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You may report any significant changes to your program by completing Form 8940 and sending it to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.

- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations